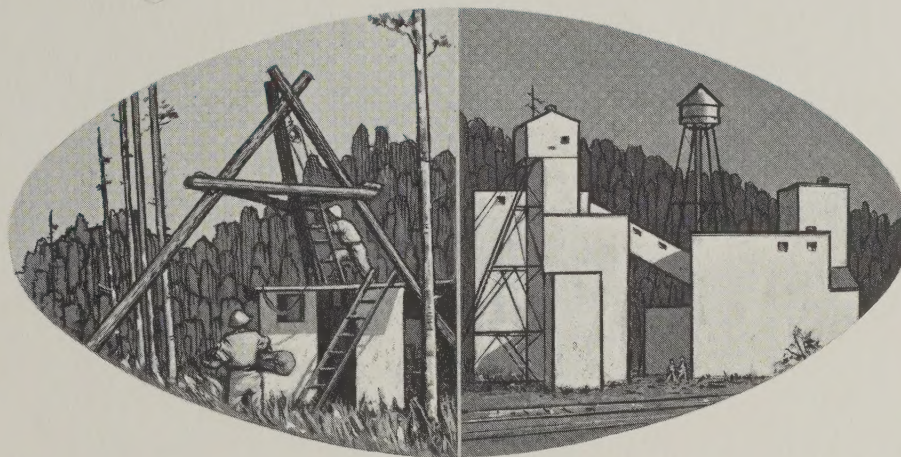
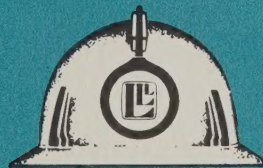


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MacLeod-Cockshutt Gold Mines Limited



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MacLeod-Cockshutt

Gold Mines Limited

OFFICERS	JOHN C. L. ALLEN - - - - -	<i>President</i>
	J. GEORGE BOECKH - - - - -	<i>Vice-President</i>
	H. E. RUDD, P.Eng. - - - - -	<i>Vice-President</i>
	MISS B. A. ARGO - - - - -	<i>Secretary</i>

DIRECTORS	J. C. ADAMSON, P.Eng.
	JOHN C. L. ALLEN
	B. A. ARGO
	J. GEORGE BOECKH
	P. K. HANLEY
	ROBERT C. STANLEY, JR.

GENERAL MANAGER	H. E. RUDD, P.Eng.
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TRANSFER AGENT and REGISTRAR	EASTERN & CHARTERED TRUST COMPANY, Toronto, Ontario
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AUDITORS	GUNN, ROBERTS AND Co., Toronto, Ontario
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SOLICITORS	MACDONALD & MACINTOSH, Toronto, Ontario
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HEAD OFFICE	Suite 400, 112 King Street West, Toronto, Ontario
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MINE OFFICE	Geraldton, Ontario.
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REPORT OF THE DIRECTORS

MacLeod-Cockshutt **Gold Mines Limited**

TO THE SHAREHOLDERS:

Your Directors submit the Company's Balance Sheet and Financial Statements for the year ended December 31st, 1965, together with the Auditors' Report thereon, and the Report of the General Manager.

It will be noted in reading the Statements of Income and Source and Application of Funds that there were a number of changes during the year, and that the Net Income of \$505,305 versus \$106,435, resulted from profits realized on the sale of portfolio holdings.

During the year 1965, the mine operated at an average rate of 329 tons per day, up from the forecast of 250 tons per day which had been the rate in the previous year. As a result, bullion produced increased to \$487,215 as compared to \$352,315 in 1964. The continuance of mining of tag-ends of ore shoots on the MacLeod property is economically possible only because unit costs are kept down by the sharing of overhead costs with operations on the adjoining property of Consolidated Mosher Mines Limited. Additional ore was found during the year to replace the tonnage mined so the outlook is for the mine to continue to produce at approximately 300 tons per day throughout 1966 and into 1967.

The Directors are pleased to announce the appointment of Mr. H. E. Rudd, P.Eng., as a Vice-President of your Company and to record their appreciation to him, the Staff and all Employees for the loyal and efficient services rendered during the year.

Respectfully submitted,

On behalf of the Board,

JOHN C. L. ALLEN,
President.

May 4, 1966.

GENERAL MANAGER'S REPORT

MacLeod-Cockshutt Gold Mines Limited

The President and Board of Directors,
MacLeod-Cockshutt Gold Mines Limited,
Suite 400, 112 King Street West,
TORONTO 1, Ontario.

Geraldton, Ontario,
April 4, 1966.

Dear Sirs:

During 1965 your mine produced 12,860 ounces of gold and 1,399 ounces of silver from 119,963 tons of ore averaging 0.107 ounces of gold recovered per ton. Revenue from this production amounted to \$487,215.00 or \$4.06 per ton.

The mill operated at an average rate of 1,820 tons per calendar day, treating 329 tons per day from MacLeod-Cockshutt and 1,491 tons per day from Consolidated Mosher Mines Limited.

Production was from the upper and lower portions of the "F" Zone and from the 5th, 6th, 7th and 8th levels of the porphyry zone. Development and diamond drilling in these areas continued to outline additional ore and at the year end reserves were estimated to be 144,220 tons averaging 0.143 ounces of gold per ton.

The group of 45 claims held by your company and the second group of 30 claims held jointly with Consolidated Mosher Mines in Houck Township have had sufficient assessment work recorded to be retained in good standing. Fifteen diamond drill holes were completed, and several mineralized zones intersected all of which were below ore grade. Other areas of merit will be examined in 1966.

The guidance of the Directors and the cooperation of the Staff and Employees during the past year is gratefully acknowledged.

Yours very truly,

MacLEOD-COCKSHUTT GOLD MINES LTD.

H. E. RUDD,

Vice-President and General Manager.

BALANCE SHEET-**ASSETS**

		1964 for Comparison
CURRENT ASSETS		
Cash	\$ 11,212	\$ 16,480
Trust company short term deposits	110,000	99,000
Bullion at net realizable value	29,193	52,221
Accounts receivable	2,748	3,904
Receivable from associated companies	125,508	248,961
Income tax refund claims	2,799	3,597
Amount receivable under the Emergency Gold Mining Assistance Act ..	134,518	84,146
Prepaid expenses	44,546	9,379
	<u>460,524</u>	<u>517,688</u>
SUPPLIES at average cost	443,002	454,022
Less interest held by Consolidated Mosher Mines Limited re joint operation	200,000	200,000
	<u>243,002</u>	<u>254,022</u>
INVESTMENT IN ASSOCIATED AND OTHER COMPANIES		
Shares in associated companies at cost (quoted market value, 1965 \$4,225,500; 1964 \$4,925,000)	4,134,973	2,606,801
Income debentures in an associated company — \$500,000 at cost	—	312,500
Shares in other companies at cost less amounts written off (quoted market value 1965 \$1,000; 1964 \$797,000)	3,534	688,269
	<u>4,138,507</u>	<u>3,607,570</u>
FIXED ASSETS		
Buildings, machinery and equipment at cost	3,482,502	3,493,543
Less accumulated depreciation	3,211,559	3,212,448
	<u>270,943</u>	<u>281,095</u>
Mining properties, Geraldton, Ontario at nominal value	1	1
	<u>270,944</u>	<u>281,096</u>
OTHER ASSETS		
Sundry mining claims at nominal value	1	2
Loans receivable	3,000	8,000
Government guaranteed bonds deposited under power contract, at cost ..	24,650	24,650
	<u>27,651</u>	<u>32,652</u>
	<u>\$5,140,628</u>	<u>\$4,693,028</u>

DECEMBER 31, 1965

LIABILITIES

		1964 for Comparison
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 208,042	\$ 265,747
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized — 3,000,000 shares of \$1 each		
Issued — 2,862,490 shares	2,862,490	2,862,490
Deduct discount on shares, net	199,392	199,392
	2,663,098	2,663,098
Retained earnings	2,269,488	1,764,183
	4,932,586	4,427,281

Approved on behalf of the Board:

J. C. L. ALLEN, Director.

P. K. HANLEY, Director.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of MacLeod-Cockshutt Gold Mines Limited as at December 31, 1965 and the statements of income and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of income and retained earnings present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have also examined the accompanying statement of source and application of funds for the year ended December 31, 1965. In our opinion the statement presents fairly the sources and applications of funds for the year.

Toronto, Canada,
February 10, 1966.

GUNN, ROBERTS and CO.,
Chartered Accountants.

\$5,140,628 \$4,693,028

MacLeod-Cockshutt Gold Mines Limited

STATEMENT OF INCOME

For the year ended December 31, 1965

		1964 for Comparison
OPERATING REVENUE		
Bullion recovery	\$ 487,215	\$ 352,315
Assistance under the Emergency Gold Mining Assistance Act (note 1) ..	(5,200)	125,000
Rental of mill and mine equipment	175,448	182,199
	<u>657,463</u>	<u>659,514</u>
OPERATING EXPENSES		
Mine development	18,154	27,319
Mining, net	321,656	261,949
Milling, net	108,351	81,984
Marketing expenses	3,781	2,733
Mine office and supervision	138,904	139,971
General expenses at the property	357,051	390,297
Administrative and corporate expenses	68,012	67,075
	<u>1,015,909</u>	<u>971,328</u>
Deduct general and overhead expenses charged to Consolidated Mosher Mines Limited	410,399	445,840
	<u>605,510</u>	<u>525,488</u>
OPERATING PROFIT before providing for depreciation	51,953	134,026
DEDUCT		
Depreciation	55,300	53,400
Outside exploration	27,355	7,601
	<u>82,655</u>	<u>61,001</u>
	(30,702)	73,025
OTHER INCOME		
Income from investments	27,213	27,380
Profit on securities	504,815	—
Recovery from exploration syndicate	3,979	3,730
	<u>536,007</u>	<u>31,110</u>
Income before income taxes	505,305	104,135
Income taxes	—	(2,300)
NET INCOME for the year (note 1)	<u>\$ 505,305</u>	<u>\$ 106,435</u>

MacLeod-Cockshutt Gold Mines Limited

STATEMENT OF RETAINED EARNINGS

For the year ended December 31, 1965

		1964 for Comparison
Balance January 1	\$1,764,183	\$1,657,748
Add net income for the year	505,305	106,435
Balance December 31	<u>\$2,269,488</u>	<u>\$1,764,183</u>

NOTES TO FINANCIAL STATEMENT

December 31, 1965

1. The revenue under the Emergency Gold Mining Assistance Act was decreased \$61,700 in 1965 (increased \$45,000 in 1964) being an adjustment of prior years' estimates resulting in a debit of \$5,200 in respect of 1965.
2. The remuneration of directors, as such, was \$4,800 in 1965 (\$5,100 in 1964).

MacLeod-Cockshutt Gold Mines Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1965

SOURCE		1964 for Comparison
Net income for the year	\$ 505,305	\$ 106,435
Deduct profit on securities	504,815	—
	<u>490</u>	<u>106,435</u>
Add back depreciation not involving cash outlay	55,300	53,400
Funds from operations	<u>55,790</u>	<u>159,835</u>
Sale of fixed assets	3,552	2,575
Redemption of investment in associated company	500,000	—
Sale of investment in other company	1,002,050	—
Other items	16,021	—
Decrease in working capital	<u>—</u>	<u>232,583</u>
	<u><u>\$1,577,413</u></u>	<u><u>\$ 394,993</u></u>
APPLICATION		
Purchase of fixed assets	\$ 48,699	\$ 66,459
Investment in associated companies	1,528,173	305,655
Other items	—	22,879
Increase in working capital	<u>541</u>	<u>—</u>
	<u><u>\$1,577,413</u></u>	<u><u>\$ 394,993</u></u>
WORKING CAPITAL (current assets less current liabilities)		
At January 1, 1965	\$ 251,941	
At December 31, 1965	252,482	
Increase during the year	<u><u>\$ 541</u></u>	

MacLeod-Cockshutt Gold Mines Limited

PRODUCTION RECORD

Year	Tons Milled	Tons Milled Per Day	Ore Milled Per Shift	Oz. Gold Produced	Oz. Silver Produced	Ore Milled Per Ton at \$35.00	Recovery at \$35.00	Value of Bullion Produced	Emergency Gold Mining Assistance	Value Bullion Prod. Plus Emerg. Asst.	Per Oz. Gold	Per Oz. Silver	Operating **Cost	Operating Profit
1938	126,291	464	---	25,518.362	1,601.57	\$ 7.07	\$ 893,142.67	\$ 899,916.11	---	\$ 899,916.11	\$ 35.27	\$.440	\$ 340,847.00	\$259,789.00
1939	208,095	570	---	45,169.868	2,381.69	7.59	1,580,938.80	1,648,489.52	---	1,648,489.52	36.49	.411	884,609.00	537,198.00
1940	238,780	654	---	54,502.274	1,616.17	7.99	1,907,579.59	2,098,339.34	---	2,098,339.34	38.50	.372	1,181,986.00	832,915.00
1941	237,076	650	---	60,084.170	1,084.65	8.87	2,102,945.95	2,313,242.57	---	2,313,242.57	38.50	.372	1,324,139.00	932,315.00
1942	233,036	638	1.6	67,925.724	964.66	10.20	2,377,400.34	2,615,142.67	---	2,615,142.67	38.50	.390	1,579,805.00	957,413.00
1943	181,761	498	1.7	54,598.912	758.81	10.51	1,910,961.92	2,102,059.99	---	2,102,059.99	38.50	.386	1,417,172.00	907,101.00
1944	124,964	342	1.4	39,900.193	597.84	11.75	1,396,506.75	1,536,151.82	---	1,536,151.82	38.50	.386	1,134,149.00	432,356.00
1945	30,300	289	1.6	9,551.256	158.13	10.33	334,293.96	367,723.68	---	367,723.68	38.50	.386	883,411.00	L 162,498.00
1946	158,434	480	1.4	32,870.172	723.05	7.26	1,150,456.02	1,194,075.15	---	1,194,075.15	36.33	.849	1,050,970.00	L 180,884.00
1947	207,260	568	1.9	43,326.777	868.50	7.32	1,516,437.20	1,516,437.20	---	1,516,437.20	35.00	.709	1,453,754.00	15,697.00
1948	176,221	483	1.8	40,303.406	643.43	8.00	1,410,619.20	1,410,619.20	---	1,467,762.18	38.89	.742	1,431,037.00	112,484.00
1949	180,793	495	1.8	43,133.906	644.50	8.35	1,509,686.70	1,560,050.44	\$157,142.98	1,717,795.41	39.82	.747	1,349,604.00	343,348.00
1950	261,103	715	2.1	55,006.118	1,266.28	7.37	1,925,214.13	2,083,717.40	178,374.24	2,262,091.64	41.12	.808	1,720,545.00	394,838.00
1951	366,547	1,004	3.9	69,938.887	4,353.25	6.68	2,447,861.04	2,570,538.87	168,789.79	2,739,328.66	39.17	.932	1,833,936.00	765,469.00
1952	411,777	1,128	5.4	65,049.208	6,171.07	5.53	2,276,722.28	*2,360,384.14	---	2,360,384.14	36.29	.829	1,781,604.00	701,420.00
1953	453,732	1,243	6.1	57,617.711	6,279.38	4.45	2,016,619.88	1,982,850.16	248,081.17	2,230,931.33	38.71	.838	1,703,092.00	536,882.00
1954	553,400	1,516	7.9	61,397.276	6,623.56	3.88	2,148,904.66	2,090,435.76	259,113.76	2,349,549.52	38.27	.829	1,804,909.00	531,378.00
1955	600,810	1,646	8.5	67,467.378	6,846.37	3.93	2,361,358.58	2,332,864.17	95,446.29	2,428,310.46	35.99	.882	1,909,606.00	505,362.00
1956	614,848	1,684	8.9	65,613.771	6,597.50	3.73	2,296,481.98	2,258,760.28	120,308.99	2,379,069.27	36.26	.893	1,866,285.00	465,085.00
1957	626,432	1,716	8.9	66,459.023	6,809.70	3.71	2,326,065.80	2,220,498.00A	134,730.00	2,355,228.00A	35.44	.872	2,013,264.00	341,964.00
1958	658,400	1,814	8.6	65,553.461	6,946.37	3.48	2,294,371.15	2,212,259.00A	245,400.00	2,457,659.00A	37.49	.854	2,135,043.00	322,616.00
1959	693,322	1,915	9.1	66,616.102	6,383.12	3.36	2,331,563.57	2,219,329.00A	252,268.00	2,471,597.00A	37.10	.875	2,126,154.00	345,443.00
1960	689,598	1,900	9.2	68,462.335	6,574.14	3.47	2,396,181.73	2,312,663.00A	238,306.00	2,550,969.00A	37.26	.888	2,126,910.00	424,059.00
1961	696,064	1,918	9.4	72,004.503	6,939.19	3.62	2,520,157.61	2,561,288.00	182,952.00	2,744,240.00	38.02	.946	2,126,496.00	617,744.00
1962	236,719	656	9.3	21,560.497	2,107.71	3.09	754,617.40	808,102.00	75,570.00	1,030,881.00M	40.99	1.155	761,290.00	269,591.00
1963	117,535	322	6.4	13,772.778	1,398.96	4.10	482,047.23	522,064.00	53,000.00	743,175.00M	41.61	1.38	583,015.00	160,160.00
1964	91,626	250	5.3	9,296.845	1,042.82	3.55	325,389.57	352,315.00	125,000.00	659,514.00M	51.34	1.39	525,488.00	134,026.00
1965	119,963	329	6.4	12,860.	1,399.	3.75	450,100.00	487,215.00	5,200.00B	657,463.00M	50.97	1.39	605,510.00	51,953.00

* — 1952 Production sold on open market.

** — Operating Costs before allowance for Depreciation and Write-offs.
L — Loss.

A — Less Marketing Expense.

M — Includes Equipment Rental Income.

B — Debit Adjustment From Previous years.

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